

HB 1453 -- INCOME TAXATION

SPONSOR: Hoskins

This bill makes changes to income taxation. The bill:

(1) Modifies the individual income tax rate table. Beginning with the 2015 tax year, the maximum tax rate on personal income will be reduced by 0.1% over a ten-year period. However, the reduction can only occur if the tax revenues collected in the current year exceed those collected in any of the three prior fiscal years by at least \$200 million. After the rate reduction is fully phased-in, the maximum individual tax rate will be 5%. Each time a rate reduction occurs, 40% of the new revenue growth will be deposited into the school district trust fund and 20% will be designated for support of higher education until the foundation formula is fully funded.

(2) Creates an individual income tax deduction for business income and phases it in over a ten-year period. A taxpayer will be allowed to deduct 5% of business income for the 2015 tax year and, once fully phased-in, will be allowed a 50% deduction. However, the deduction can only occur if the tax revenues collected in the current year exceed those collected in any of the three prior fiscal years by at least \$200 million. A shareholder of a S-corporation, a partner in a partnership, and a member in a limited liability company will be allowed a proportional deduction based on his or her share of ownership; and

(3) Reduces the tax rate on corporate income by 1% over a ten-year period, beginning with the 2015 tax year. However, the reduction can only occur if the tax revenues collected in the current year exceed those collected in any of the three prior fiscal years by at least \$200 million. After the rate reduction is fully phased-in, the tax rate on corporate income will be 5.25%.